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AN ANALYSIS OF THE INSTITUTIONALIZATION OF
THE SELF-MANAGEMENT IN YUGOSLAV
ECONOMIC SYSTEM

by
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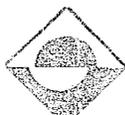
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I. INTRODUCTION

Yugoslavia is a country with a unique economic system, which Yugoslavs call 'socialist self-management'. Most enterprises are controlled by their workers, who have the right to make major decisions and to appoint their own managers. The enterprises compete on the market without central planning of the Soviet type. Nevertheless, the country is ruled by a one-party communist regime.

Every country has its own peculiar history and institutions; but Yugoslavia is more unusual than most. It is a land of many nationalities, several languages and three major religions. The idea which led to the creation of the Yugoslav State in 1918 through the amalgamation of the previously independent kingdoms of Serbia and Montenegro was that the South Slav peoples should be united. Before 1918, the Yugoslavs had lived under the shadow of two different cultures, as explained by D. Rusinow "the Hapsburg Empire was a European power and a distinguished center of European culture, while the Ottoman Empire was an Asiatic despotism with an entirely different heritage." (1) On the one hand

those who were longest under Byzantine and Turkish influence and rule inherited a Greek Orthodox or Islamic tradition; on the other hand those who lived in the north and west, and received Christianity from Rome and authority from Vienna, Budapest, or Venice were belonged to Catholic Central (2)

(1) D. Rusinow, The Yugoslav Experiment 1948-1974, Berkeley and Los Angeles, University of California Press, 1977, p. XI V

(2) Edgar Hosch, The Balkans: A Short History from Greek Times to the Present Day, London, Faber, 1972, pp. 9-11

So it is still possible to see the influence of these different cultures on such basic features of Yugoslavs' life as urban forms, rural settlement, legal systems, levels of economic and social development and modes of perception. Therefore the successes and failures, the achievements and misfires of self-management in Yugoslavia may be perceived in their entirety only against the background of their socio-historical dimensions and their significance in terms of the overall organization and nature of the social system.

During the inter-war period Yugoslavia was never completely united, and it was shattered by the Axis invasion of 1941. In the fire of resistance to the occupiers the guerrilla movement came increasingly under the yoke of the Communist Party, which at the end of the war took complete control of the country. At the beginning Soviet Union was taken as a model. But after three years there was a violent break with Soviet Union and Yugoslavia. And then Yugoslav Communist Party started on an independent path. With some time-lag, the ideology was re-examined and in 1950 Tito announced the policy of 'the factories to the workers'. This essay will take up the origin and the development of Yugoslav Self-Management System. Under a Marxist-Leninist party, nationalized enterprises have been gradually transferred to the control of their workers, central planning has been abolished and enterprises have been obliged to work for the market. Yugoslavia is not a 'pure' example of a labour-managed economy; but it has enough of the characteristics of such an economy to make it possible to learn something about the inherent tendencies of

such an economy.

After introduction, second part is designed to provide an historical and institutional background to the Yugoslav Self-management system. It contains a brief history of Yugoslavia from the Second World War to the present. In that time period, many changes were made in the rules and institutions.(3) With the adoption of the 1974 Constitution the self-evaluation was largely brought to an end. With only minor changes, the rules and institutions established in that Constitution have been maintained up to the present time.

Part three contains a description of the new system; it puts emphasise especially upon decision making process. As the real operation of the system differs from formal rules. There are certain questions which must be tackled: Who really controls the policies of Yugoslav self-managed enterprises? What are the exact roles of the workers, the managers, and the Party? Do the workers want to take responsibility for major decisions? Are they equipped to do so?

(3) In forty years, Yugoslavia have had four different constitution, which remind us Turkey. Rusinow points out this similarity as: "The man around Tito started with an ideology and a mechanism, the Leninist Party, which were appropriate to the carrying out of a revolutionary breakthrough in a social environment like Yugoslavia, but not to a consolidation in accord with all of their own and the ideology's most basic and humanist original principles. Their place in world as well as Yugoslav history was won by the way in which they saw this and attempted to draw conclusions in harmony with those principles. They boldly confronted if they still faited to solve what might be called based on liberal myths of emancipation, modernisation and democracy, but carried out by radical minority which has assumed 'temporary' dictatorial powers over a still largely traditional and conservative society in which there is no national consensus in support of the value of the revolution."(D. Rusinow, op. cit.,pp. 343-344)

The Yugoslavs confronted a series of critical problems. The conflict potential of Yugoslav Self-Management system can be explained, among other things, by the fact that it was first introduced in an underdeveloped country. The conditions for the development of self-managed system have been less auspicious than they would have been in economically and industrially developed countries. So a number of dilemmas were inescapable the problem of achieving rapid economic and social modernisation without institutional or social breakdown, freedom versus development and national versus individual liberty. We should also keep in mind the nature and limits of independence and influence for small states in the contemporary world; and the capacity of a revolution from above to create and then to acknowledge the existence of social and economic preconditions and popular acceptance of values to sustain further modernization in order to make rational and effective public choices. Zukin called the peculiar phenomenon, which was made possible by a unique configuration of historical events, as Titoism and explains what he mentioned as conflict potential:

East and West still view Yugoslavia in terms of an archetypal dual images ... Tito himself personified the divided image . A 'rebel' against Stalin yet a democratic centralist in his own League of Communists (LC), a 'liberalizer' who rejected doctrinal rigidity in favor of ideological synthesis, Tito tried to walk with both the lions (the Warsaw Pact and NATO, Comecon and the Common Market, the World Bank) and the lambs (the Nonaligned nations from 1954, the Hungarians in 1956, the Chechs in 1968).(4)

In the development of Yugoslav Self-management System, a dilemma

(4) Sharon Zukin, "Beyond Titoism", Telos, no. 44, summer 1980, p.5

has been constantly present: whether to give preference to the social-political principle of direct participation of the workers in every decision or to the economic and organizational efficiency of management. It is an important question. The answers to this question varied from one pole to the other. On the one hand, it was pointed out that these two phenomena supported each other, on the other it was noted that a choice in favour of economic development and efficiency was made and so now Yugoslavia is "more developed but less socialist".(5)

In Part four an appraisal of the economic results of the Yugoslav system will take place, especially the efficiency of allocation of resources to different uses. Does capital tend to be concentrated on existing enterprises or in plants established for reasons of politics or local prestige? What is the reason for high unemployment which is a big problem in Yugoslavia? Has Yugoslavia been able to narrow the income differences between regions or even within regions? Will the self-managed enterprises, as often claimed, be more productive than capitalist or state socialist enterprises? The last and important question is whether these defects are the result of self-management, or rather of special conditions in which self-management operates in Yugoslavia.

(5) Sharon Zukin, Beyond Marx and Tito, Theory and Practice in Yugoslav Socialism, London, Cambridge University Press, 1975, p. 18

II. HISTORICAL AND INSTITUTIONAL BACKGROUND OF YUGOSLAV SELF-MANAGEMENT SYSTEM

When the historical development process of the present Yugoslav system is traced back, it is seen that there are various stages which gradually follow each other. It has been introduced in an incremental way, step by step, to the political-social-economic life of individuals and consequently to the whole society. Various variables led to this way of construction of the system.

Some scholars put emphasis upon the idea that Yugoslavs, instead of having a conscious choice which led to well defined programs, have a behavioural pattern is determined by responses towards specific problems. According to A. Işıklı, the role which Yugoslavia had to play in international relations exposed a set of determinative effects upon the formation of the country.(6) Zukiñ pointed out pragmatism as one of the problems inherent in the ideology, "... the official ideology has become increasingly preoccupied with issues of economic modernization on the model of advanced post industrial societies."(7) And by arguing that economic and political isolation encouraged the Yugoslavs to adopt an increasingly pragmatic interest in economic development and industrialization, which treats self-management as a means to economic development rather than a socio-political end in itself. Furthermore, for the break with the Soviet bloc, he adds that " they saw themselves, no doubt, as balancing the ideas of

(6) Alparslan Işıklı, Kuramlar Boyunca Özyönetim ve Yugoslavya, Ankara, Ankara Üniversitesi Siyasal Bilgiler Fakültesi Yayını, 1981, p. 83

(7) Sharon Zukiñ, loc. cit., p. 72

socialist revolution with food and dollars."(8)

On the other hand, some scholars claim that true human freedoms and rights are realized through self-management. After he said that "... self-management is ... a historical process of changing the fundamental relations in production in favour of the workers in associated labour."(9), Pasic adds that:

However, there is no doubt about the fact that Socialist Yugoslavia is the country in which the greatest, consciously directed and continuous efforts have been made to transfer self-management from the sphere of theoretic vision into the sphere of socio-political practice. Therefore, all the experiences gained so far, both the positive and negative ones have a more general value and deserve a deeper study.(10)

It must not be forgotten that Yugoslavia is the unique country which "has seriously entertained genuine workers' control of management"(11) and accepted self-managed social, economic, and political system covering all country in official sense, and entered fourth decade in self-management. Because of being unique, she can not catch any clues from the other countries' experiences.

The official ideology of self-management consists of the oral and written statements of political leadership, as well as the laws that they have enacted under the rubric of the realization of the wishes of the citizens. Djilas explained how the issue of self-management come to the agenda:

(8) Ibid., p. 52

(9) Najdan Pasic, From Workers' Self-Management to the Self-Management Based Organization of Society, Belgrade, Socialist Thought and Practice, 1981, p. 12

(10) Ibid., p. 13

(11) G. D. Garson, "Recent Development in Workers' Participation in Europe" in J. Vanek (Ed.), Self-Management, Economic Liberation of Man, New York, Penguin Books Ltd., 1975, p. 183

One day -it must have been in the spring of 1950- it occurred to me that we Yugoslav Communists were now in a position to start creating Mark's free association of producers. The factories would be left in their hands,...(12)

Then he explained his idea to Kardelj and Kidric, the issue was debated for months in closed circles and was presented to Tito.

Tito paced up and down, as though completely wrapped up in his own thoughts. Suddenly he stopped and exclaimed: 'Factories belonging to the workers -something that has never yet been achieved!...' A few months later, Tito explained the workers' self-management bill to National Assembly. (13)

The developmental process of Yugoslav self-management will be elaborated within the context of constitutional changes. Frits explains the beginning of establishment of Yugoslavia, which he called as Second Yugoslavia:

The first quarter century was the life span of the Kingdom, proclaimed in 1918, and liquidated by 1943. The Kingdom brought a heterogeneous country under the rule of a unitary, Serbia-centered regime. The second Yugoslavia began with the AVNOJ [Antifasisticko Vece Narodnog Oslobodjenja Jugoslavija- (Anti Fascist Council of People's Liberation of Yugoslavia)] meeting of 29th November 1943. (14)

The period after 1943 is distinguished as administrative system and self-management system. The main characteristics of the former one are explained by Kardelj as:

During the first phase, lasting until the mid-1950's the leading thought of the political leaders was that Yugoslavia was building up a new socialist society in which the contracts now

(12) Milovan Djilas, The Unperfect Society: Beyond the New Class, New York, Thames and Hudson, 1969, p. 220

(13) Ibid., p. 222

(14) Frits W. Hondius, The Yugoslav Community of Nations, Nederland, Mouton and Co., 1986, p. 335

existing between different parts of the country would lose their meaning.(15)

Later one is made clear by such concepts as differences, pluralism and so on:

The second phase saw the re-evaluation and rehabilitation of diversity. Polycentrism and pluralism, including the differences between the Yugoslav nations, were recognized as positive features. Yugoslavia had reached a stage of political, economic, technological and cultural maturity which made it possible to combine diversity and unity.(16)

A. Administrative Socialism

When the Germans began to put increasing pressure on Yugoslavia to collaborate with them, there was a kingdom in Yugoslavia. In 1934, after Alexander was assassinated, his cousin Prince Paul succeeded him. Paul began to move towards a rapprochement with the Nazis. In 1941 the Yugoslav government signed the Tripartite Pact. This act produced a popular revolt, led by the army; the government fell and Paul went into exile. As Seton-Watson remarks, this was

the first slap in the face that Hitler had received. It showed him that there was one people at least in Europe that cared nothing for the benefits of his 'New Order', that could never be bribed into gilded slavery.(17)

During this revolt, the partisans gained significant

(15) Edward Kardelj, The New Fundamental Law of Yugoslavia, Belgrade, 1964, p. 27

(16) Frits W. Hondius, op. cit., p. 335

(17) H. Seton-Watson, Eastern Europe Between the Wars, 1918-1941, London, Cambridge University Press, 1945, p. 408

advantages(18): they were activists; they were well organized(19); they were not tied to any one national or religious group; they were, irrespective of nationality or religion, against the common enemy. Rusinow mentions these advantages:

The first was a better and more disciplined organisation, combining hierarchical links with flexibility and generous room for autonomous local initiative ... The second advantage was consistent implementation of the decision to fight the enemy constantly and everywhere ... The third was their solution to the national question, blazoned in the slogan 'brotherhood and unity' and in the promise of a Federal State and manifested in the all-Yugoslav composition of their own leadership.(20)

Meanwhile the Red Army was steadily pushing the Germans back, out of Russia. In the spring of 1944 partisan activity revived in Western Serbia and when the Red Army approached Belgrade the Partisans were already in control of whole of Western Serbia. The war continued in the north and west of the country until May

(18) While speaking about revolt, it is also necessary to refer to the Chetniks."The Chetniks were in essence an ill-disciplined and ill-organized anti-Axis resistance force which aspired to recreate the old Yugoslavia, but with an even stricter Serbian domination to prevent any future repetition of the Croat 'betrayal' of 1941."(D. Rusinow, op. cit., p.10)

(19) 'National liberation committees' were chosen where possible by direct and secret ballot, which are supposed to be the embryos of self-management in Yugoslavia. Zukin states that during wartime there are popularly responsible councils, and he adds "One of the first liberated areas, the town of Krupanj in Serbia, established a committee of workers' control in the local antimony works. This elected committee run the works, organized the work process, paid and provided food and housing for workers."(Sharon Zukin, loc. cit., p.55) Similar workers' committees began to appear gradually all over the country. During the time, firstly after the war, these committees were transformed into the organs of local government.

(20) D. Rusinow, op. cit., p. 6

1945, and during this time both the partisan armies and the Communist Party grew in size. November 1945 elections were held for the Assembly. A single list of candidates was nominated by the People's Front. Front won an overwhelming victory. From that moment onwards Yugoslavia became a one party communist state.

After the war Yugoslavia was one of the economically least developed countries in the war. And her losses in terms of human life were really very heavy. The situation in Yugoslavia after the war can be summarized as:

The National Liberation War coincided with a genuine social revolution. This meant two things: an unbelievably high morale ... and also an almost unimaginable degree of devastation of the country. About 1,7 million people were killed ... One in every nine inhabitants disappeared ... Almost two-fifths of the manufacturing industry was destroyed or seriously damaged. About 3,5 million out of 15 million people were left without shelter. (21)

Thus, the new rulers did have some desperate tasks as implementing their solution to the national question, feeding their people, reviving economic activity, and making good the devastation of war. After the war, during the five years between 1945 to 1950, the Federal People's Republic of Yugoslavia was modeled on the Soviet Union, a command economy run by the state, for rapid industrialisation through coercively induced and centrally controlled mobilisation of human, natural and financial resources.

(21) Branko Horvat, The Yugoslav Economic System, New York, International Art and Sciences press, 1976, p. 5

All of industry, trade, and services, except the smallest 'artisan' workshops, were rapidly nationalized, the state had total power over these sectors of economy. Managers were appointed by communist ministers and given detailed instructions on what to produce, with what materials, with whom to trade, and at what prices. Exception were the peasants. They were not forcibly collectivized until 1949.

During this period, the basic legal instrument was the 1946 Yugoslav Constitution. "In its original form, it was a faithful copy of the Soviet Constitution of 5th December 1936 -the so called Stalin Constitution."(22) Hondius supports his idea by Kardelj's words:

For us the model was the Soviet Constitution, since the Soviet Federation is the most positive example of the solution of relations between peoples in the history of mankind.(23)

Basic characteristics of administrative system of this era can be understood from an excerpt from 1946 Constitution:

In order to protect the essential interests of the people, increase national welfare and make proper use of all economic potentials, the state directs economic life and development through a general economic plan, relying on the state and cooperative sector and exercising general control over the private sector in the economy.(24)

As stated in the Constitution there was central planning and the

(22) Frits W. Hondius, op. cit., p. 137

(23) Ivo Krbek, Narodna Republika Hrvatske u Federativnoj Republika Hrvatske u Federativnoj Narodnoj Republici Jugoslavije, Zagreb, 1948, quoted in Ibid., p. 137

(24) Constitution of the Federative People's Republic of Yugoslavia, article 15

main planning agency was the state which directed the development of the economy through the overall state planning.(25)

The period called as 'Administrative Socialism' ended as a result of the break with Stalin. Discussions about the break from Soviet Union and synchronic changes in the administrative type of organization toward self-managed society are various. Some of them can be summarized as: Yugoslavia did not want to follow the policies imposed by Soviet Union; She could not implement the policies originated from administrative system because of her peculiar characteristics; The five years implementation of the central planning is sufficient to reach its aims and it is now the time to develop a new system.

"... if both partners had not undergone a change of mind or personality on the way home from the war"(26) quarrels can not led to divorce. It was three postwar developments which led to the outcome. First one is

... increasing Yugoslav emphasis on the uniqueness of their revolution, Soviet denials of it, and growing awareness on both sides of what the claim and the denial implied. The second consisted of Tito's international activities and

(25) Bicanic points the unsuitability of this model as: "We have to bear in mind that the different areas of this country are very varied in their endowment of natural resources, that its parts have different historical inheritances and geographical situations; that it is a country of multinational composition; and the levels of social and economic development of different areas are very different. This has brought to therefore much more quickly and clearly the weakness in a central planning mechanism in Socialist Yugoslavia."(Rudolf Bicanic, Economic Policy in Socialist Yugoslavia, New York, Cambridge University Press, 1973, p.41)

(26) D. Rusinow, op. cit., p. 24

initiatives, which suggested that he was aspiring to become an autonomous viceroy of south-eastern Europe under Soviet suzerainty The third was Stalin's decision to proceed ... the forging of a monolithic socialist bloc under firmer Soviet control.(27)

Finally, on 28 June 1949 the Cominform adopted a resolution which, in effect, expelled the Yugoslav Party from the world communist movement. The Yugoslav leaders, therefore, confronted by the necessity of steering a new course. In the absence of support from the communist countries, they would need rely on (1) their own people, (28) and (2) assistance from the west. For both these reasons, they were gradually forced to recognize the need to re-examine their fundamental strategy and ideology.

B. Self-Management

The expulsion from the 1948 cominform accelerated the questioning of the era of "Administrative Socialism", and provided the basis for Yugoslav leadership to emphasize local conditions. The Yugoslav leaders rejected not only of Stalin personally but of Stalinism, which they defined as state, or bureaucratic, socialism. Later they were to call this 'etatism', or 'statism'. Then Yugoslavs began to reconsider the system of nationalized

(27) Ibid., p.25

(28) G. J. Robinson argues the effects of international relations on the choice of self-management as : "At the time of cominform expulsion, Yugoslavia was firmly integrated into the Soviet economic and political system ... To stand alone politically and develop economic self-sufficiency under these circumstances seemed an almost impossible task to the Yugoslav leadership yet only through the mobilization of local resources, both human and material, could industrialization be continued."(Gertrude Joch Robinson, Tito's Maverick Media, University of Illinois Press, 1977, p. 25)

industries and central planning which they had taken over from the Soviet Union. And this led them to the idea of decentralized socialism, or 'factories to the workers'.(29)

Nevertheless, the Party had chosen a new path and, since the reasons for making that choice grew stronger over time, it continued along the new path without knowing precisely where it would lead. Important legal and institutional changes were made. After 1974 some important laws were introduced to specify in more detail the methods of applying the 1974 constitution, in particular the Law on Associated Labour of 1976, which was intended to be a complete codification of enterprise behaviour. So far, however, there has been no proposal for any fundamental new amendments to the 1974 system. But, given the Yugoslav propensity to experiment and to adjust to new situations, there is no guarantee that such changes will not occur in the future.

1. The First Steps: 1949-53

The period from 1949 to 1953 is the first stage which opens the way for the development of workers' management and leads to the 1953 Constitution. In 1949, the directive of the Federal

(29) Djilas wrote as follows: "Soon after the outbreak of the quarrel with Stalin, in 1949, as far as I remember, I began to reread Marx's Capital, this time with greater care, to see if I could find the answer to riddle of why, to put it in simplistic terms, Stalinism was bad and Yugoslavia was good. I discovered many new ideas and, most interesting of all, ideas about a future society in which the immediate producers, through free association, would themselves make the decisions regarding production and distribution - would, in effect, run their own lives and their own future." (M. Djilas, op. cit., pp. 157-158)

Government and the trade unions on the Establishment and Workers' Councils of State Economic Enterprises was promulgated as the first enactment introducing self-management.(30) At the beginnings of 1949, it is possible to see the formation of workers' councils in 215 large state enterprises, which have mainly advisory functions.(31) Workers' councils were to be established in all socialized enterprises and, they had powers of management. But since the state continued to appoint the directors and to specify each firm's inputs, outputs, wage levels, and investment expenditures, the councils' functions were merely advisory.

In 1950, the Law on the Transfer of the Management of State Economic Enterprises and Major Economic Organizations to the Workers' Collectives was promulgated. The transformation of the workers' councils into the basic organs of the enterprises' management is stated in the first article of the law as:

Factories, mines, communications, transport, commercial, agricultural, forestry, communal and other state economic enterprises, as public property, shall be managed by work collectivities on behalf of the community in accordance with the state economic plan, and pursuant to the rights and duties established under law and other legal enactments.

Work collectivities shall perform this management through workers' councils and management boards of enterprises and workers'

(30) Blagoje Boskovic, David Dasic (Eds.), Socialist Self-Management in Yugoslavia, 1950-1980, Belgrade, Socialist Thought and Practice, 1980, pp. 51-58

(31) Najdan Pasic, Stanislav Grozdanic, Milorad Radevic (Eds.), Workers' Management in Yugoslavia, Recent Developments and Trends, Geneva, International Labour Organization, 1982, p.4

economic associations in which several economic enterprises are associated.(32)

As it is seen each work collective managed its affairs through a workers' council, elected by secret ballot by all the workers in the enterprise and a board of management appointed by the workers' council. Depending on the size of the enterprise, the workers' council consisted of 15 to 120 members; if there were workers less than 30, all the employed made up the workers' council. The board of management was composed of from three to 11 members, including the manager.(33) Some of the functions of workers' council were as follows: to draw up the basic plans of the enterprise; to make decisions for the management of the enterprise and fulfillment of the economic plan; to draft house rules in the enterprise. This 1950 law remained the formal basis of self-management. Successive pieces of legislation, including the 1953 Federal Constitution, had only amplified on these themes.

Although there are elements of workers' management in Yugoslav enterprises, it is impossible to say that the workers really manage. Firstly, as mentioned above, the managers still organize the process of work in the enterprise and exercise direct control over the implementation of the plans and operation of the enterprise. Also the director shall conclude contracts and decide on the disposition of working capital. They can hire workers and

(32) Basic Law on the Management of State Enterprises and Higher Economic Associations by Work Collectivities, article 1

(33) Ibid., article 10, 25, 27

appoint office personnel in the enterprises.(34) On the one hand they have these privileges, and on the other hand they are appointed by the component government body.

The position of manager illustrates the hybrid nature of the relations established in this phase, when workers' management was being introduced into the economic organisations which, by virtue of their ownership and the directives received from government departments, were still state undertakings. The manager served as a link between the two systems, acting as executive organ of the internal workers' management machinery while at the same time being a government employee responsible for the execution of the government economic policy in supervising the operation of the undertaking.(35)

Secondly, although the question of who really controls enterprise policy in Yugoslavia is difficult to answer precisely, the existence of a system of decentralized management requires some sort of market economy. Under full central planning, enterprise managers have little scope for independent decisions. In April the Federal Planning Commission was abolished, together with most federal and republican economic ministries. At the end of the year a new Law on the 'Planned Management of the National Economy' was passed. Under this law, central planning was replaced by indicative planning, with no compulsory powers.(36) In spite of many subsequent legal changes, this has remained the position ever since.

Once it was recognized that the essential features of socialism consisted in individual

(34) Ibid., article 36, 37, 38

(35) Najdan Pasic, Stanislav Grozdanic, Milord Radevic (Eds.), op. cit., p. 5

(36) D. Rusinow, op. cit., pp. 62-63

freedom and autonomy of self-governing collectivities, two important consequences followed. First, the political monopoly of the state and party apparatus become incompatible with a social system conceived in this way. Second, in order to be really autonomous work collectives had to have full command over the economic factors determining their position.(37)

The Sixth Congress of the Party in 1952 had decided that the Party was to disengage itself from direct power and to try to achieve its objectives by persuasion rather by giving orders. The Party's decision to change its name to ^{the} League of Communists of Yugoslavia was intended to be symbolic of this alteration in its role. But it is such a big dilemma that is really hard to solve:

... how could one speak of democracy ... if a closed and self-recruiting Party elite or even an internally democratic but Leninist cadre Party continued to exercise a monopoly of all political power? But if it did not, who would guarantee that genuinely democratic decision-making process would produce genuinely 'socialist' decisions, especially in a still largely traditional society in which the socialist values of the elite ... had not been accepted and internalised by everyone or even by a majority?
(38)

The Yugoslav answer to the question was that the Party must separate itself from the state and from day-to-day political decision-making, but must continue to act as 'an ideological and political leading force.'(39)

(37) Branko Horvat, op. cit., p. 14

(38) D. Rusinow, op. cit., p. 73

(39) M. Djilas had written a series of articles, and had openly criticized the work and basic principles of the League of Communists. He wrote that "the Leninist type of party and state are outdated, as must always happen when conditions for revolution no longer exist and democracy begins to live"; and argued that the democracy in Yugoslavia well developed which there is not no longer need for the work of the League of

2. 1953 Constitution, and Further Changes

This phase covers the ten-years period from 1953, the declaration of the new constitution to 1963. It is a period of dynamic changes culminating in the adoption of the 1963 Constitution. By the end of 1952, the process of reorganization had reached a point beyond which it would not be possible to proceed without collecting all of them in one law. So in January 1953 The Constitutional Law on the Principals of the Social and Political Order of FPRY was promulgated. It gave legal cover to the changes that had already been made and opened the way to further development of self-management. The fundamentals of the Constitutional Law can be seen in its fourth article as:

Social ownership of the means of production, self-management by direct producers in the economy and self-government by the working people in commune, city, and district are the tenets of social and political order of the country.(40)

Communists. Additionally, he warned that there are clues of development of 'caste system' growing up among the leading Government and Party functionaries. He offered that the abolition of compulsory party meetings, and that the League must be "moved away from the Central Committee and the entire Union of Communists, isolated himself personally from practical work, and providing an ideological basis for demanding the organizational unity of the League of Communists." (Keesing's Contemporary Archives, 1954) During the Central Committee's debate, President Tito declared that, if M. Djilas's theories were allowed to spread freely in Yugoslavia, there would be no more socialism but "a bloody struggle". "There can be no 'withering away' and no liquidation of the league of communists." He went on "until the last class enemy has been frustrated and until socialist consciousness has embraced the broadest masses of our people, because the league of communists is responsible for realizing the achievements of the revolution ... it must continue to exist, and not only exist but be ideologically strong and conscious of the role it has to play." (Keesing's Contemporary Archives, 1954)

(40) Blagoje Boskovic, David Dasic (Eds.), op. cit., p.85

The Constitution introduced the concept of 'social ownership', which is one of the basic characteristics of the self-management system in Yugoslavia. It means that :

... from 1953 onwards in Yugoslavia one can no longer speak of the state sector, state enterprises or state forms . In the first place the enterprises are neither owned nor run by the state. The legal term used in the property register is opca narodna imavino (general social property) managed by enterprise X and this is run by worker's management (41)

The main reason for this change is that the introduction of self-management in business organizations needed to be accompanied with the freedom of these organisations from state interference.

By the end of 1953 the framework of a self-managed system had been created. Central planning had been replaced by general indicative 'plans', and enterprises were obliged to work for the market. There was still plenty of government intervention through price controls, wage controls, and investment allocations, and these interventions were often politically rather than economically motivated. But managers had sufficient scope for showing initiative. Theoretically, it was the workers' councils which made major business decisions and exercised substantial influence over the selection of directors. In practice, it was questionable, whether directors were selected by Party , and they continued to run their enterprises very much as they had done before. But they were at least obliged to submit their plans to the workers' councils and answer questions.

(41) Rudolf Bicanic, op. cit., p.32

The constitutions and other regulations during this period led to some basic changes. Pasic collects them under four titles: extension of self-management to the service sector; decentralization and democratization of the process of decision-making within the economic enterprises and other work organizations; increased autonomy of enterprises and their work force; and lastly political decentralization.(42) Firstly, self-management was extended to public and social services. The Constitutional Law of 1953 had laid the basis for this development. The process of transforming every school, hospital and scientific or cultural institution to a self-managing organization was therefore undertaken.

In November 1962, the Sixth Congress of the Communist Party of Yugoslavia warned that the working class would be threatened by centralist tendencies and surest way to root out them is the extension of the rights of the direct producers in all spheres of life.(43) So a second group of changes can be explained as:

...radical changes in the internal hierarchical-centralistic structure of the enterprise. The range of questions on which the workers made decisions in a self-management maner was even more expanded, while the level and mode of decision-making increasingly moved in favor of the of the direct holders of functions, reducing the authority of the administrative managerial strata.(44)

In June 1957, The First Congress of Workers' Councils of Yugoslavia reviewed the experiences and dwelled upon what Pasic

(42) Najdan Pasic, op. cit., pp. 39-51

(43) Blogoje Boskovic, David Dasic (Eds.), op. cit., pp. 51-59

(44) Najdan Pasic, op. cit., pp. 41-42

called as democratization of decision-making process and autonomy of enterprises. Congress called more rights for direct producers in controlling production and allocation of resources for expended reproduction and greater autonomy for enterprises in production planning (45), spending and development. After all, it has been seen that a set of fundamental factors which the self-management system requires in order to function in society as a whole were introduced to the life of people. However existence and maintaining of this kind of factors , by themselves, can not provide something which is sufficient for self-management system to function in a proper way , but can probably build up necessary conditions in which self-management system should exist.

As the first Congress's demand for greater enterprise autonomy indicates , this has been a significant factor in the development of workers' self-management. Thus it is practically impossible to speak of greater self-management within enterprise, i.e. of the greater power of workers' councils, without also considering the enterprise's ever-growing latitude vis-a-vis the central state, the local commune and other enterprises. The legitimation of enterprise autonomy again brings up the problem of the precise meaning of workers' self-management. Theoretically , at least, 'enterprise-power' might instill the consciousness of collective capitalistics rather than socialist. In that way it would seem to threaten workers' control, although it could be made compatible with workers' self-management.(46)

Despite the considerable successes, there were a number of problems. The most obvious were, the wide differences in the level of social and economic development in various regions of Yugoslavia. The most productive enterprises were located mainly in Slovenia and Croatia, and the least productive in Macedonia and Kosovo. Since personal income per worker was not kept equal

across regions policy, the differences in gross surplus per worker between regions was quite significant. With a system of proportional federal taxes on income the richer regions would clearly contribute more per worker to central funds than the poorer regions.

During the 1950s the inter-regional redistributive effects of federal policy began to become more apparent. Thus the temporarily suppressed national conflicts between the republics and provinces were helped to re-emerge. On the one hand the central government was concerned about the balance of payments; on the other the more advanced republics were becoming dissatisfied with the scale of transfer of resources to the less advanced. And economists were developing their own criteria of a system which was supposed to be a market economy but which was severely distorted by government interventions. All these developments gave real impetus for reform.

(45) According to the Constitutional Law of 1953, there were autonomous plans based on self-management in enterprise."The federation has following rights and duties ... to secure the unity of the economic system, and the planned development of the economy as a whole (New Constitution of the Federal People's Republic of Yugoslavia, Belgrade, 1953, article 9)But it does not mean that the federal plan can set ceiling for the subordinate plans."If a republic could find means to exceed on overall target set by the federal plan and to set its own target, it was free to do so." said Bicanic and he summarized that "Workers' councils, pursuing the economic interests of the working collective of the enterprise, made their own autonomous plan and in doing so implemented the planning targets and so fulfilled the objectives of the social plan. Thus, instead of administrative instruments economic instruments were introduced, and at the same time the initiative of the workers was freed from the restrictions imposed by the state bureaucracy."(R. Bicanic, op. cit., pp. 46-47)

(46) Sharon Zukin, loc. cit., p.61

The first step towards reform were taken in the late 1950s. In 1957 and part of 1958, with impetus given by the First Congress of Workers' Council and Seventh Congress of League of Communists of Yugoslavia, a number of laws were issued, e.g., the law on taxes, the law on personal income. All these laws gave the work collectivities greater scope in regulating their mutual socio-economic relations.(47) The net income of each enterprise was to be "at the entirely free disposal of the enterprise, to be divided into personal incomes, investment and general funds, reserves, ect., as the workers' council should decide".(48) Labour Relation Law transferred the power to hire and fire workers from the general manager to the work collectivities. And also, after the First Congress of Workers' Council and Seventh Congress of LCY, according to Zukin, a new step and really different one from other communist societies put forward, by which producers realize their personal and general social standards of living. Zukin argues that:

So that Yugoslavia ideology was the first to state explicitly that working to raise one's standard of living is legitimate under socialism... the Yugoslav leadership recognized that this individualistic, material interest should be used as a rational means towards the social goal of economic development. Thus the Yugoslavs introduced into socialist ideology not only a rationalization of self-interest but also the elevation of self-interest into historical necessity in an underdeveloped socialist society.(49)

Furthermore, especially parallel with economic boom or recession, there was always controversy between centralists and

(47) Blagoje Boskovic, David Dasic (Eds.), op. cit., pp. 41-42

(48) D. Rusinow, op. cit., p. 103

(49) Sharon Zukin, loc. cit., p.52

decentralists. The adoption of new system led to some contradictions and also caused the economic crises of the early 1960s.

In 1961 ,three radical reforms were carried out. To increase the efficiency of the market organization and improve the quality of goods produced, the hitherto virtually closed economy was to be made more open to the influences of the world market. To achieve this , the system of multiple exchange rates was replaced by a customs tariff , the dinar was devalued ,foreign trade was liberalized to a certain extent, and the country became an associate member of the General Agreement on Tariffs and Trade.(50)

The reforms could not reach the desired aims. The devaluation raised the costs and fed through into prices. Wages, under the control of the workers, followed behind the prices, and so perpetuated inflation. The foreign trade deficit increased. At this point, Tito (May 1962) made an anti-liberal Speech in Split and referred to the need for 'a uniform socialist Yugoslav culture'.(51) But it was a mistake, the idea of Yugoslavism switched the sympathies of the party leaders of the less-developed regions away from the centralist to the liberal camp.(52) During the years up to 1963, there was a growing public debate about economic policy.

3. The Period from the 1963 Constitution up to 1974

An important event of 1963 was the adoption of a new

(50) Branko Horvat, op. cit., p. 12

(51) D. Rusionow, op. cit., p.135

(52) Because national minorities began to get afraid, especially those which suffered in the past under Great Serbian oppression.

constitution which started also the third stage in the development of self-management. The main feature of this period is explained as:

... an effort to put the entire capital of undertakings under workers' management, in order to give their workers the right to decide not only on matters of current production but also on development and investment policies. In addition the independence of individual undertakings was further strengthened by the abolition of state controls and the rescinding of regulations regarding their internal organ of management and by measures to stimulate productivity and market competition.(53)

Zukin, drawing upon Kardelj, puts emphasis on the fact that the decentralization, and more human relations between people

must just as well be the essential element of the entire socialist construction as it is the effort to attain greater labor productivity, that is to develop more strongly the productive forces of society.(54)

To understand the period 1963-74, the New Constitution and the Reforms of 1965 should be studied. The functions of workers in the enterprises are mentioned in the Constitution as: to manage the working organization, directly or through organs of management elected by themselves; to organize production, and organization; to determine plans; to decide the use of socially owned means; to distribute income; to decide on labour relations; to determine working hours; to regulate and promote their working

(53) Najdan Pasic, Stanislav Grodanic, Milorad Radevic (Eds.), op. cit., p.11

(54) Prednactustava Federativne Socijalisticke Republike Jugoslavije, Belgrade:Kommunist, 1962, p.82 in Sharon Zukin, op. cit., p.62

conditions.(55) As it is seen the demand for more authority in the enterprise becomes more responded in the Constitution. "Thus in comparison with the 1950 law which established workers' councils, the 1963 Constitution bears witness to the greater autonomy of both councils and enterprises."(56)

The Constitution stipulated the income of an enterprise belongs to the workers of that enterprise. The principle behind this idea is that income should be disposed of where it is earned. It was considered reasonable that the government should take from the enterprise about 30 percent of the gross income. The decision on the division of rest between the personal income of workers and investment funds of the enterprise must be taken by the workers' management.

The Constitution also established new principles of planning.

Planning is done in the working organizations by the working people as the bearers of production and of socially-organized work, and by the social-political communities in the performance of their socio-economic functions.(57)

Bicanic named the planning of this period as polycentric pattern, which put working organizations and socio-political communities on an equal footing. It does not mean that there is no central planning; there are, indeed, various central plans. The important point is that none of these central plans has power to over-rule the others.

(55) The Constitution of the Socialist Federal Republic of Yugoslavia, Belgrade, 1963, article 9

(56) Sharon Zukin, loc. cit., p. 65

(57) The Constitution of the Socialist Federal Republic of Yugoslavia, Belgrade, 1963, Basic Principles III, p.6

The pattern of polycentric planning is a matrix, ... It operates not only on the vertical commune-to-republic-to-federation line, but also on horizontal lines, and the republic-to-republic and commune-to-commune planning levels. In this system any planning unit can make its own plans; what matters is that all decisions are registered within the framework of a matrix and made consistent with such a matrix by check and counter check. The effectiveness of planning depends on these inter-connections, and on the degree of social integration, the extent of information on the economy and the speed and accuracy of the feed back of information between the planners and the planned. (58)

The movement for reform gathered momentum during 1964. The Fifth Congress of the Trade Unions Confederation argues about a free operation of the market along self-management lines. The Federal Assembly's resolution calls for decentralization of the foreign trade system. The Eight Congress of the LCY also called for a freer operation of the market, a freer formation of prices and a speedy end to administrative fixing of prices. Despite strong resistance by the centralists the Congress gave unanimous approval to the reform. (59) Finally, in July the Federal Assembly approved 'a dozen laws, decisions, regulations and orders', which constituted the real Reform. (60)

The reform had five major components: First, there were to be lower taxes. Secondly, the role of the state in investment allocations was to be limited mainly to its control over the new Funds for the Development of Underdeveloped Regions. Thirdly, there were very large adjustment in product prices designed to bring relative domestic prices closer to world prices. Fourthly,

(58) Rudolf Bicanic, op. cit., pp. 46-47

(59) Blagoje Boskovic, David Dasic (Eds.), op. cit., pp. 57-58

(60) D. Rusinow, op. cit., p. 176

dinar was devalued from 750 to 1250 to the dollar and customs duties, export subsidies and the range of quantitative restrictions were reduced. Finally, private peasants were given the right to buy farm machinery and the opportunity to obtain bank credits for this purpose.(61)

The main stages in this process were as follows. In 1966 the tax on enterprise assets was reduced from 6 per cent to 4 per cent. In 1967 firms were given the right to retain part of their foreign exchange earnings from exports. The demand that foreign exchange should belong to those who earned it was especially strong in Croatia, which was the republic with the largest foreign exchange revenue. In the Party, the power to appoint and dismiss higher and middle-rank functionaries had passed entirely to republican organs. This was a key move towards the federalization of the party. In March 1967 Croat intellectuals issued a 'Declaration on the Name and Position of the Croation Literary Language', in which they insisted on the separate identity of Croation and its exclusive use in schools, the press, and official documents. This was the first sign of nationalism which was to rise up in Croatia during the following four years.(62)

Later in 1967 the Federal Assembly adopted six amendments to the 1963 Constitution. They considerably increased the powers of Nationalities and abolished the offices of Vice-President of the

(61) Harold Lydall, Yugoslav Socialism Theory and Practice, Oxford, Claderon Press, 1984, pp. 81-82

(62) D. Rusinow, op. cit., pp. 207-282

Republic and Deputy Supreme commander.(63) So the powers of the republics was strengthened. While all these regulations of republic's rights were being issued, the nationalist movement in Croatia had been growing in strength and in public expression.

By the end of 1971, Tito and the majority of the party leadership were deeply dissatisfied with the result: The reform had produced rapid inflation, a serious recession, and growing unemployment. After 1968 the economy got back into its stride, but unemployment continued to grow. Liberation in the political sphere produced also some problems, most crucial one was the nationalist upsurge in Croatia. And also the idea that 'workers will manage the enterprise' was under attack. With greater freedom of choice of technology, markets, investment, and employment there was more scope for managerial initiative. The managers responded to these opportunities. In order to make rational decisions, they needed to act more quickly. Hence there was a tendency for the managers to be given greater scope for independent decision-making. Many workers' councils left difficult business problems to the managers, concentrating on the less important issues as promotion, holidays, or housing.(64)

So there was a need for the Party to get down to the job of completely reorganizing Yugoslav society from top to the bottom. The outcome was the 1974 Constitution, the Associated Labour Act and a number of other Acts dealing with specific problems.

(63) Keesings' Contemporary Archives, 1974, p. 26 655

(64) Harold Lydall, op. cit., pp. 89-90

III. YUGOSLAV SELF-MANAGEMENT SYSTEM

Basic self-managing organization (osnovna samoupravna organizacija) is a general term which refers to organizations of associated labour, and in which working people directly realize their socio-economic and other self-managing rights and duties, and decide on questions concerning their socio-economic status.

Workers in basic organizations of associated labour shall freely pool their labour and means of social reproduction in work organizations and other forms of the pooling of labour and resources. Mutual rights, obligations and responsibilities stemming from various forms of the pooling of labour and resources shall be regulated by workers in basic organizations of associated labour through self-management agreements in conformity with statute, ensuring within the totality of these relations the constitutionally-guaranteed rights of the workers. (65)

As it is seen from the above excerpt, associated labour and self-management agreements are two basic components to explain the term 'organizations of associated labour'. Associated labour (udrezni radi) is a term used to denote all forms of relations and institutions established among working people on the basis of the social ownership. The general regulations of associated labour take place in the Constitution and the laws; to animate them, a bridge must be built up between the rules and individual concrete cases. So in conformity with the Constitution and other laws, all detailed, practical arrangements concerning the management and operation of the organizations of associated labour are laid down

(65) The Constitution of the Socialist Federal Republic of Yugoslavia, Belgrade, 1974, article 34

in self-management agreements(samoupravni sporazumi).(66)Self-management agreements are adopted by workers in self-managing organizations. "In this way the regulative and intermediary role of state concerning relations among working people is diminished."(67)

The association of labour covers both economic and political system.This can be simplified in following way:

... a man joins two basic organizational structures -in one he carries out a given social function necessary for the continued existence of society,and this is the organization of associated labour in which he predominantly deals with the conditions of work. In the second he predominantly resolves the issues of his living conditions on the territory where he resides -these being territorial self-management and socio-political communities.(68)

This chapter will be devoted first to a description of the new economic system after the 1974 Constitution. No economic system in the world works exactly as it is supposed to work, so secondly the question of 'how does the system in fact operate?' will be taken up.

(66) By means of self-management agreements, worker may pool their labour in the organization of associated labour; establish a basic plan; clarify the principles for the distribution of income; determine principles of price formation; establish relations with other organizations; spell out the mutual rights, obligations and responsibilities of workers; take care of development of society.

(67) The Constitution of the Socialist Federal Republic of Yugoslavia, Belgrade, 1974, p. 309

(68) Drago Gorupic, "The Basic Organization of Associated Labour", in Jovan Djordjevic, Savin Jogan, Milja Ribicic, Anton Vrakusa (Eds.), Self-Management, The Yugoslav Road to Socialism, Belgrade, Yugoslavenski Pregled, 1982, p. 142

A. The 1974 Constitution

Before 1974 the business units were called 'enterprises'. Now, there are three main forms of organizations in which workers join and pool their labour by using socially owned resources; basic organization of associated labour (BOAL), work organization (WO), and composite organization of associated labour (COAL). The workers who perform administrative and related functions in work organizations or in composite organizations form 'work communities'. In private ownership, a particular organization takes place, namely 'contractual organization of associated labour'. For all these organizations, decision of the workers concerned is the first step to be formed; and during the establishment, the signing of a self-management agreement is necessary.

1. Basic Organization of Associated Labour (Osnovna organizacija udruzenog roda):

This organization is the primary institutional form. Workers directly and on equal terms realize their rights, and decide on other questions concerning their status in basic organizations of associated labour. A work organization may be divided into component basic organizations if (1) each basic organization carries out activities which are technically separable, (2) the output of each organization can be priced by reference to the market, and (3) the units are small enough to make self-management feasible. (69) Workers have a 'right' to set up basic

(69) The Associated Labour Act, Belgrade, 1976, article 320

organizations wherever possible.(70)

When workers find that conditions exist for forming a basic organization, a meeting of the workers in the unit for which it is proposed to form a basic organization is called, and they decide by referendum to form a basic organization. But, if one group of workers wishes to split off and others object, the matter is referred to a special 'court of associated labour'.

When a work organization is divided into basic organizations, the latter do not become fully independent, but are obliged to enter into a 'self-management agreement' with one another so as to preserve the unity of the enterprise. A basic organization has the legal right to split off from an enterprise and become independent, or join up with other basic organizations in a new enterprise. But this right is hedged about with a number of conditions. The basic organization may not break away if this would substantially disrupt work in other basic organizations. If it does break away, it must pay damages for any consequential losses imposed on other basic organizations.(71)

Providing for effective participation of workers on decision-making process is closely related with organizational scope of production unit. The same point is explained by Kamusic as:

The main principle motivating such changes appears to be the desire to bring decision-making

(70) Initiative also can come from other units as trade union, management organ of the work organization, court of associated labour, etc.

(71) D. Juric, "Associated Labour and Socialist Self-Management", Yugoslav Survey, vol. 20, May 1979, p. 47

closer to the worker... where large basic organizations of associated labour were divided up many functional difficulties were overcome. For one thing, some people had been reluctant to speak up in large gatherings. For another, information on the functioning of a small work organization proved easier to furnish and simpler to understand. And again, workers attending assemblies of a basic organization or smaller units usually have first-hand knowledge of the matters to be discussed and are therefore better able to contribute to the discussion.(72)

By pursuing this point of view, Horvat points out that,

... for each individual opinion is limited by the opinions of all the others ... Accordingly, the first principle in the organization of a self-managed enterprise will be the creation of sufficiently small and sufficiently homogeneous work groups, which allow direct participation of all the members in making decisions and where decisions are sufficiently transparent.(73)

But many work organizations have not been divided up in this way, either because they were too small to begin with, or because the criteria for creating separate basic organizations could not be met. At the end of 1980 there were in the whole social sector 13,940 undivided WO and 4,321 WO consisting of two or more basic organizations.(74)

2. Work Organization (radna organizacija)

A work organization may be a single unit or may be composed of two or more basic organizations.

(72) Najdan Pasic, Stanislav Grozdanic, Milorad Radevic (Eds.), op. cit., pp. 41-42

(73) Branko Horvat, 'An Institutional Model of Self-Managed Socialist Economy', in Jaroslav Vanek (Ed.), op. cit., p. 183

(74) Year Book 1981, pp. 102-103

A work organization is an independent self-managing organization of workers linked by common interests in work and organized in basic organizations within it or directly linked by the unified process of labour.(75)

If workers are linked by their common interests in work, the work organization is composed of several basic organizations. Also workers can be directly linked and in this case the work organization has no basic organization. It is only an example that the Rakovica (Engine Works in Belgrade) is composed of five basic organizations and three work communities.(76) As mentioned, when two or more basic organizations are formed within a work organization and linked by production, trade or other common interests, they regulate their mutual relations by a self-management agreement which constitutes the basic by-law of the work organization.

A new work organization may be established by the existing organization of associated labour or self-managing communities. Socio-political communities may also set up work organizations.

The constitution of a work organization under establishment shall start after the completion of the necessary construction work and after decisions have been taken concerning the formation of basic organizations, the conclusion of self-management agreements on the pooling of workers' labour in the basic organizations, the adoption of the by-laws of the basic organizations and after the election of workers' councils of the basic organizations.(77)

(75) The Associated Labour Act, Belgrade, 1976, article 346

(76) Najdan Pasic, Stanislav Grozdanic, Milorad Radevic (Eds.), op. cit., p. 34

(77) The Associated Labour Act, Belgrade, 1976, article 375

Lastly the name and activity of the work organization are entered in a court register, and work organization would be able to perform the activity for which it has been established. Workers in work organization shall have the same rights, obligations and responsibilities as workers in basic organizations.

It is necessary to point out that accompanied with the extension of the scope of organization, direct participation begin to leave its place to the participation by means of representatives. Work council in work organization is composed of at least one representative from each basic organization. If there is only one basic organization, functions are exercised by the council of basic organization. The main intention for associating basic organizations within a work organization may be determined by the interest in the efficient production and trade.

In the development of the model of self-managed enterprises a dilemma has been constantly present: whether to give preference to the social political principle of direct participation of the workers in the management by any means or to the economic and organizational efficiency of management.(78)

3. Composite Organizations of Associated Labour (slozna organizacija udruzenog rada)

This is a form organization established through the merger of several work organizations. Work organizations that are engaged in the same production process or have other common interests

(78) Mitja Kamusic, "Economic Efficiency and Workers' Self-Management", in M. J. Broekmayer (Ed.), Yugoslav Workers' Management, Dordrecht, D. Reidel Pub. Comp., 1970, p.86

voluntarily associate and form the composite organization. A composite organization can be built in the following cases: (1) If work organizations are mutually vertically linked in production and trade; (2) If they are linked in a conglomerate manner for the realization of a joint income and other interests.(79) As in the case of other forms of associated labour, the composite organization comes into existence with the signing of the self-management agreement regulating mutual relations among the work organizations, the election of a workers' council and the appointment of a management organ.

These composite organizations tend to be larger. In 1980, 160 of the largest 220 organizations in Yugoslavia were composite.(80) As an example, an electrical engineering firm called Iskra, the seventh-largest firm in the country consists of 14 WO and 80 BOAL. At the end of 1980 it employed nearly 30,000 workers and produced one-quarter of the value of output of the Yugoslav electrical industry. It is the fifty-eight largest electrical products enterprise in the world, and sixteenth largest in Europe. Its exports were worth \$145 million in 1980.(81)

Additionally, most large work organizations and composite organizations contain another component called as 'work community' (radna zajednica). This term denotes communities made up of workers who in organizations of associated labour perform administrative, technical, professional and similar activities

(79) The Associated Labour Act, Belgrade, 1976, article 382

(80) Ekonomska Politika, 28 September 1981

(81) Ibid.

to several basic organizations within the same work organization.

4. Position of Workers in the Organizations of Associated Labour

All economic organizations in Yugoslavia operate in the market, buying materials, selling their output, saving, investing, borrowing and so forth. The workers' incomes are not fixed by contract or agreement but on the profitability of the organization or enterprise. All workers who have completed their period of probation are full members of their basic organization. They have an equal right to attend general meetings, to elect delegates to workers' councils and to serve on these and other elected bodies. Their incomes, however, depend on the total income of the organization, their qualifications and their estimated contribution to the success of the organization.

How much of the total income of the organization is distributed? The Associated Labour Law distinguishes 12 different items to which income is allocated. They can be divided into four categories, as follows:

i. From total revenue there is subtracted the cost of purchased materials and other non-labour input costs, depreciation at prescribed rates on the stock of fixed capital and taxes on turnover. This leaves us with the gross income.

ii. From gross income is then subtracted taxes on gross income, certain social security contributions, interest charges, insurance, legal costs, excess depreciation and similiar outlays. The remainder is the net income.

iii. Expenditures on certain items which are usefull and necessary both for the organization and for society are made from the net income, for example, compulsory contributions of work organizations in the richer republics, levied proportionately on the enterprise income, towards the Fund for Development of Underdeveloped Regions.

iv. The net income of the organization.(82)

In principal, it is only a basic organization which can make decisions about the final allocation of income. The workers have to approve proposals for income allocation by a procedure laid down in the by-laws of the organization, usually at a general meeting. These proposals will normally come from the workers' council of the organization; but, where the basic organization belongs to a wider work organization or composite organization, such proposals are likely to have come from the workers' council of the larger organization.

Basic organizations with thirty or more members have an elected workers' council. Delegates for the council are allocated in proportion to the number of workers in each unit and with regard to skill, age, and nationality composition of organization. Delegates may not be elected for a term exceeding two years, nor may the same delegate be re-elected for more than two terms. The director and other senior managers are not eligible for election, but they are entitled to attend the council and to

(82) The Associated Labour Act, Belgrade, 1976, article 503-522

participate in its discussions. Work organizations and composite organizations also have workers' councils elected in the same manner. Nominations for all these elections are drawn up by the trade union. Workers' council formulate business policy and plans, make investment and borrowing decisions, approve annual and interim accounts, and give final approval to the appointment of the director or the managing board. Each organization has a set of rules laid down in the self-managing agreement made at the time of its establishment, and these determine the precise powers of the workers' council. Most workers' councils elect from their own membership or from other workers on an executive committee, which has the responsibility for making proposals to the council and for supervising the implementation of its decisions(83)

Each organization has either a sole director or a management board to perform the task of executive management. The director may make proposals to the workers' council. He/she has the right to attend the meetings. Once the council has made a decision, the director has the duty to carry it out. The post of director must be publicly advertised. A nomination commission, consisting of representatives of the organization, the trade union and the relevant government authority, selects one or more candidates by a two-thirds majority and proposes them to the workers' council for its final decision. The director or board member is appointed for not more than four years. Managers are entitled to give workers instructions on how to work, subject to the general law and to the by-law of the organization. Workers have a duty to

(83) Ibid., article 490-502

carry out such instructions. A worker who is late or absent, works badly, or refuses reasonable instructions can be disciplined. The matter must be referred by the management to a specially elected disciplinary commission, and the worker has the right of appeal to higher bodies. (84)

Recruitment of new workers is carried out by advertisement, and impartial selection of those most suitable. Workers are free to leave a job at any time, but once a worker is accepted as a full member of an organization, he is entitled to security of tenure up to retirement age. The followings are the exceptions to this rule: if he/she is no longer fit to work; if he/she has been sentenced to imprisonment for a period exceeding six months; or if he/she has been dismissed for disciplinary reasons. But there may be an agreement among basic organizations in a work organization or composite organization to transfer redundant workers within the wider organization. (85)

Theoretically the workers' self-management in Yugoslavia implies to give all workers a genuine chance to shape their own job by regulating their working methods, setting up their goals and have an equal opportunity to influence the decisions. The ordinary workers' management role in relation to the making and implementation of decisions includes submission of proposals, drafting of decisions, adoption of decisions, and supervision of their implementation. Proposals may be made by ordinary workers as well as by professional staff, a manager or a board of

(84) Ibid., article 503-522

(85) Ibid. article 167-178

management, trade unions, and workers' supervisory commissions. When a workers' management body agrees that a proposal should be considered, a workers' meeting or the workers' council sets up a special working party or committee to study the matter and make fully argued recommendations. The exact procedure differs in different organizations and in relation to the type of proposal concerned. It is required that at least two variations of a proposal should be put forward, with detailed explanations.

Then discussions are organized to enable workers to state their views, make suggestions and come to an agreement. The final draft decision is then prepared, with the necessary explanations. According to the subject of the decision, it may be adopted by the workers at a meeting, by referendum or through their representatives on the workers' council. Decisions are carried by a majority vote of all the workers at a meeting or in a referendum, or by a majority vote in a workers' council. The implementation of decisions is the responsibility of the workers' council and its committees as well as of the managerial organ and professional staff, who are answerable to the workers' council. Direct control by the workers over the implementation is provided for through a system of full information. The organs of workers' management are required to provide regular information to the workers. Decisions and conclusions reached and statements made in the meetings of the workers' council or other organs must be made public in an appropriate way, not later than seven days. The workers' council and the managerial organ are required to permit all workers to examine documents, files, and reports.

Workers have the right to look into the work of workers' council, of the managerial organ, and of staff. Supervision is exercised also by the workers indirectly through their elected organs, that is, mainly through the workers' council. Additionally, the 1974

Constitution and the Associated Labour Law introduced a new supervisory organ, 'organ of self-management workers' control'. It is not a decision making body. It examines observed irregularities, and suggests remedies.(86)

B. System in Operation

As mentioned above according to the regulations, it is crucially important that the workers, especially the manual workers, should be in control of the organizations of associated labour. This is where value is produced and where accumulation takes place. But there are a number of questions concerning workers' control of the most important decisions of self-management system. Especially while some scholars are arguing that these decisions are controlled by the party, working through government agencies, the banks and the other socio-political organizations; on the other hand some put emphasise on the managers in the decision-making process. In a framework of such a study, we will only try to point out these questions.

The various groups and interests operate within and around a Yugoslav self-management organization, mainly the managers, the

(86) Ibid., article 461-483

workers, and the party. Firstly, within an organization of associated labour, apart from the manual workers, there are the white-collar workers, the technicians, and the managers. All of these are arranged in a normal hierarchical structure, with the director at the top and unskilled workers at the bottom. Orders are passed downwards, as in any organization. Parallel with this, there is the structure of 'self-management', which gives the workers the right to receive information, make decisions, and elect the workers' council and other committees. So the organizations carries a conflictual character. There are many business decisions which promise substantial benefits to all members of the enterprise. But there are other decisions which give rise to some conflict of interest. The managers and technicians, for example, are likely to be more favourable to a policy of general expansion, while manual workers may be more reluctant to see a decrease in their share of enterprise income. Similarly, managers and technicians may have a tendency to increase enterprise savings, while manual workers may prefer higher cash incomes.

There are also differences in their decision-making abilities and opportunities. By the nature of their education and work experience manual workers are not well equipped to analyse complex business problems, nor do they have opportunity to participate in discussions about technical aspects of those problems. Managers and technicians have a higher level of education, and they are constantly required to study and discuss complex managerial and technical problems. So they see themselves

as having the primary responsibility to resolve such problems. As a summary, not only because they have a difference of interest, but also because they have a difference of experience, information, and conception of their role, managers and technicians tend to play a dominant part in discussions at self-management meetings.

The lack of worker influence on business decisions arises from several causes. In the first place, as mentioned above, manual workers have insufficient knowledge, training, and experience to make a confident contribution to the discussion of such decisions. (87) Even those who are elected on to the workers' council or the management board have little time to become acquainted with all the relevant facts, and the rotation system ensures that new groups of inexperienced workers are constantly being brought on to such bodies. Secondly, the enormous number of laws, regulations, self-management agreements, which are a feature of the Yugoslav system, are very complicated. So, only the managers and technicians who have greater knowledge, training, and experience, can deal with them. They can interpret them and determine their relevance to a particular business decision. (88) Managers and technicians prepare all proposals for discussion, they have many opportunities to frame the proposals in such a way as to win the support of the workers. (89)

(87) E. Neuberger, E. James, "The Yugoslav Self-Managed Enterprise: A Systematic approach", in M. Bornstein (ED.), Plan and Market, New Haven, Yale University Press, 1973, p. 270

(88) D. Granick, Enterprise Guidance in Eastern Europe, Princeton University Press, 1975, pp. 337-338

(89) A. H. Eames, The Yugoslav System of Self-Management, Ph. D. thesis submitted to the University of Bradford, 1980, p. 260

But the third argument for lack of worker influence on major decisions is the most important. It is that most workers do not want to take responsibilities for such decisions.(90) Those who take such decisions implicitly accept the risk which flow from them. A good decision will raise future incomes; but a bad one will reduce them, and may even lead to the threat of bankruptcy and the loss of job. The workers are glad to support decisions recommended by those whom they trust. But they do not want to carry the prime responsibilities for business decisions, since they know that some decisions turn out badly and that, if they themselves have taken them, they will be expected to bear the consequences.(91) The points on which they are likely to express differing views are cases of discipline, housing allocations, and the distribution of income. The workers may tend to want, as a whole, more cash income and less accumulation than is wanted by the Party and the managers.

Lastly about the Party there is an extended debate. The Party has the sole responsibility for the whole of society, for the success of the economy, and for a politically acceptable distribution of the fruits of production among its constituents. Since no other party is allowed to exist, the Party can never relax. It must involve itself in everything, seem to be able to solve every problem. No economic system in a one-party state, whether centrally planned or of the Yugoslav type, can operate without

(90) M. Zvonarevic, "Social Power, Information, and Motivation", J. Obradic, W. N. Dunn (Eds.), Workers' Self-Management and Organizational Power, University of Pittsburgh, 1978, p. 184

(91) E. Neuberger, E James, op. cit., p. 280

(92) H. Lydall, op. cit., p. 121

the constant intervention of the Party, directly or through its satellite organization.(92) There are now over two million Party members, of which more than half are probably working in the organizations of associated labour. In 1972, 70 per cent of directors of large and medium organizations were Party members and 83 per cent of bank directors.(93) The members of the Party within a basic organization will not normally have much influence as individuals on the policy of organization, but they can be used to support the Party's policy on specific issues.(94)

Additionally the Party has strong effects on the decision-making process through trade unions, League of Socialist Youth of Yugoslavia, and socio-political organizations. Under the Constitution and the Associated Labour Act the trade unions are given considerable powers. Some of their functions include the following: The trade unions appoint one-third of the members of the selection committee for the nomination of candidates for the post of director; Trade unions have the right to propose his resignation; They nominate all the candidates for election to the workers' council; Trade unions have the right to be kept informed about all major decisions of the workers' council.(95) In some basic organizations there will be also members of the League of Socialist Youth of Yugoslavia, who are called as 'aktiv'. The

(92) H. Lydall, op. cit., p. 121

(93) For further information S. Zukin, loc. cit.; Ichak Adizes, Industrial Democracy: Yugoslav Style, London, Free Press, 1971; Richard D. Farkas, Yugoslav Economic Development and Political Change: The Relationship between Economic Managers and Policy - Making Elites, London, Praeger Publisher, 1975

(94) A. H. Eames, op. cit., p. 179

(95) M. M. Radevic, "The Trade Union in the Self-Management Society", Socialist Thought and Practice, April 1981

'aktiv' is an unofficial group consisting of Party members holding key points in the socio-political organizations in the workers' council and among the managers.(96) Also socio-political organizations may intervene in the affairs of an organization, either directly or through the indirect channels of government bodies, the banks, and the communities of interest.

... it is indispensable resolutely to overcome, through the activities of organized forces of society, the practice that factors outside associated labour, in informal tandems with managing boards of basic organizations of associated labour, banks, and executive organs of socio-political communities and organs of socio-political organizations make decisions regarding the means of expanded reproduction.(97)

It is an excerpt from the resolution of the Third Congress of Self-Managers of Yugoslavia, and it goes on that it is:

...indispensable to prevent organs of socio-political communities and other factors outside associated labour from interfering beyond their authorization, in decision-making in organizations of associated labour and banks(98)

(96) I. Adizes, op. cit., pp. 99-102

(97) Yugoslav Survey, August 1981, pp. 6-7

(98) Ibid.

IV. MAJOR ECONOMIC ACHIEVEMENTS

After the Liberation War, 1945, the Communist Party of Yugoslavia came into power and began to exercise complete control over the economic structure. The new regime initially had two sets of closely connected plans: a political plan that called for as rapid a nationalization of production as possible, and an economic plan that proposed the reconstruction of the war-devastated economy and its eventual development along Soviet lines.(99) The former part of the plan was easily realized. At the end of 1945 the government succeeded to manage 89 per cent of the entire industry and in 1946 began to control almost all wholesale trade and took over all banks and transportation companies. The government completed nationalization of the private industrial enterprises and 97 per cent of retail establishments towards the end of 1948. Thus Belgrade centrally managed the entire Yugoslav economy with the exception of agriculture. Instead of nationalization in agricultural sector, the government promulgated a reform that limited the size of private holdings and strictly constrained any possibility to accumulate capital by taxation policies.(100) After the period of rebuilding of war-devastated economy, industrial output ~~has~~ reached to 120,6 per cent of 1939 levels, agricultural production was back to the level of that year.(101) Therefore with pre-war production levels

(99) J. T. Bombelles, Economic Development of Communist Yugoslavia, Stanford, Hoover Institution Publications, 1968, p.9

(100) D. Rusinow, op. cit., p.14

(101) Ibid., p. 19

achieved and the entire economy nationalised, except for agriculture, the regime was ready to begin 'building socialism' with the classic Soviet formula of electrification and industrialization.

After the expulsion of Yugoslavia from the Cominform in 1948, Yugoslav decision makers were faced with the problem of how to continue building a Soviet style of socialism without aid from the Soviet Union and the rest of Eastern Europe. The sharpening political conflict with the Cominform and heavy economic problems drove the Yugoslav leadership to a reappraisal of the country's economic position. As a result of this reappraisal, a new 'Yugoslav way to socialism' slowly developed.(102) The new approach was designed to broaden the political appeal of the regime, both at home and abroad, to counter Soviet claims of Yugoslav 'betrayal of socialism', and to make possible elimination of some features of the Soviet economic system. After 1950, Yugoslav leaders introduced various reforms. The first basic measure was the 'Law on the Management of Economic Organizations by Working Collectives' promulgated on July 5, 1950. According to the Law, each enterprise would be freer to determine what it would produce, where it would buy, how much it would import or export, what prices it would charge, how much it would invest, and what salaries it would pay. The income of workers and management would depend on earnings of their enterprises. This law was supplemented by the 'Law on Planning in the National Economy'. According to this law, economic development of the

(102) Ibid., p. 48

country had to be directed by federal social plans, social plans of the republics and autonomous regions, social plans of counties and cities, and economic plans of enterprises. Thus, the Soviet system of planning was abandoned and was replaced by annual and medium-term plans. The new planning system was based on the setting of 'basic proportions', through which the State would continue to plan and control the general and basic parameters of economic growth.

These regulations marked the initial step in the transition from a command to a market economy, and "laid the foundations for the second of the complementary twin pillars of 'workers' self-management' and 'market socialism' on which Yugoslavia's unique economic system was to rest." (103) According to this planning, republican plans established average rates of additional contributions and taxes to be used for investment purposes, and increased the minimum utilization of productive capacities rate set by the federal plan. They also determined which portion of income left to enterprises should be used for investment purposes. Social plans of counties and cities determined the values of fixed assets, and similar projects to be constructed on their territory, the use of available resources, and the total value of output of material goods and services to be produced by artisans. During the next few years these two basic laws were further supplemented and modified; some instruments were changed and others were added, but the most important rules maintained in force. (104) However, these regulations and reforms neither

(103) Ibid., p. 63

(104) J. T. Bombelles, op. cit., p. 51

changed the basic objectives nor significantly relaxed the extensive state controls over the economy. For instance, according to Bombelles, what actually happened in Yugoslavia after the early 1950s was a change in instruments used in directing economic development, but the direction continued to be prescribed by the top political leadership. Instead of planning in predominantly physical quantities, many targets were expressed in monetary terms: more use was made of fiscal and monetary policies, manipulation of the price system, and indirect political control through the party members. Macroeconomic and investment decisions, however, continued to be made and socio-political objectives set at the political center.

Table 1 and 2 show the basic categories of social product before and after the reforms of 1950. Table 2 primarily points out that after 1951, personal income made a smaller share of social product than in administrative period. Secondly, throughout the entire postwar period the 'accumulation and funds' represented a remarkably steady percentage of social product. And thirdly, the Table indicates that increase in depreciation allotments came mostly at the expense of personal incomes. On the end-use side, the rate of investment remained practically the same, while personal consumption showed little improvement. (105)

As a conclusion, it can be suggested that the reforms after 1950 introduced several innovations in the socialist economic system. Rigid planning of material balances was replaced by substantially greater use of financial resources, and monetary and fiscal

(105) Ibid., p. 55

TABLE 1

COMPOSITION OF SOCIAL PRODUCT, 1947-1964
(Percent)

Year	Personal Income	Accumulation and Funds	Depreciation
1947	42	54	4
1948	43	53	4
1949	43	53	4
1950	40	55	5
1951	41	54	5
1952	38	52	10
1953	38	52	10
1954	36	53	11
1955	38	52	10
1956	38	52	10
1957	39	53	8
1958	41	51	8
1959	39	54	7
1960	39	54	7
1961	39	53	8
1962	39	53	8
1963	38	54	8
1964	39	53	8

Source: Savezni Zavod za Statistiku, Jugoslavija 1945-1964,
Belgrade, 1965, p. 83

TABLE 2

SOCIAL PRODUCT BY END USE, 1947-1964
(Percent)

Year	Personal Consumption	Social Consumption	Gross Investment	Import Surplus	Difference
1947	47	17	32	0	4
1948	48	17	32	-1	4
1949	49	18	32	-2	3
1950	46	23	33	-2	0
1951	46	25	33	-4	0
1952	55	23	30	-4	-4
1953	53	19	32	-6	2
1954	51	18	33	-2	0
1955	52	15	29	-3	7
1956	54	15	29	-2	4
1957	52	13	28	-3	10
1958	55	14	30	-3	4
1959	52	13	31	-2	6
1960	52	13	32	-2	5
1961	52	14	35	-2	1
1962	52	13	35	-1	1
1963	50	12	35	-2	5
1964	49	11	33	-3	10

Source: Savezni Zavod za Statistiku, Jugoslavija 1945-1964,
Belgrade, 1965, p. 83

policies began playing a much greater role as instruments of execution of various plans and as means of control. Banks became powerful institutions for channeling investment funds in the desired direction and for controlling enterprises.(106) Enterprises no longer received their daily, monthly, and yearly quotas in physical terms, but were subjected to control over their financial transactions. The planning process was not decentralized; top political leadership still made basic economic decisions.

The economy continued to grow after 1952. The regime succeeded in intensifying the strategy of development pursued in the first period. Thus, industry obtained a higher percentage of total investment than before. The heavy industries were allocated a greater share of investment. Social services, which include education, health, housing, obtained only 16,9 per cent of the total investment as compared to 21,30 per cent in the administrative period. Personal income of the population as a percentage of national income was kept at the exceedingly low level of the year 1952.

In agriculture, the political aims of the regime retained supremacy over the objective of increase in production. After abandonment of the collectivization policy, this sector of the economy continued to be starved for investment funds and was subjected to restrictive taxation and credit policies. In this

(106) A further limitation on business activity was the requirement that at the end of each day, every economic organization must deposit its receipt in the National Bank and all payments must be made through this bank.

period, more emphasis was put on the advancement of underdeveloped republics, which obtained 62,2 per cent of the total investment in economic activities as compared to 60,5 per cent before 1952.

After 1952, the greater part of the increase in social product occurred in the industrial sector of the economy. The high rate of growth in industry resulted mostly from the completion of many plants and factories whose constructions started in administrative planning period. The policy of allocating large shares of social product to economic investment resulted in low wages for workers and employees, low incomes for peasants, inadequate resources for housing and social services, low standards of living and general dissatisfaction. (107)

Despite the diversion of investment toward the underdeveloped republics, the gap between Slovenia and Croatia and the rest of the country, was widening. This brought charges that the underdeveloped republics were not getting enough resources, while Slovene and Croatian communists charged that the others were wasting the resources taken from their republics. Gradually this phenomenon began to acquire the characteristics of a national conflict between nationalities.

In 1956, it became evident that the strategy of development would have to be changed. Market forces could not be relied on because of undesirable political effects. Abolishing price controls, removing inefficient political cadres from a decisive position in

(107) J. T. Bombelles, op. cit., p. 113

the economy, an investment policy based on economic rather than political consideration, more economic cooperation with neighboring countries would have helped to cure the economic ills of the country, but they would also have endangered the political power of the regime. At the end of 1956 Yugoslavia faced several pressing economic problems, such as low level of agricultural production, a large deficit in the balance of payments, a low standard of living, and a low level of productivity. Taking into account these problems, the Second Five Year Plan set the following basic objectives: (1) to ensure regular and faster growth of the national income and total production, especially in agriculture, (2) to reduce the balance of payments deficit by increasing exports, (3) to bring about a steady improvement in the standard of living, (4) to aid the development of the country's economically underdeveloped areas. Therefore, by 1956, the Yugoslav regime was looking for politically acceptable solutions to the existing problems.(108)

The Second Five Year Plan was promulgated on December 4, 1957, at a plenary session of the National Assembly. It was made effective retroactive to January 1957, and was supposed to cover the period up to the end of 1961. At the end of 1960, however, it was announced by the authorities that the goals set had been achieved and that the Plan was a great success. The Second Five Year Plan set high targets: national income should increase by 54,4 per cent, industrial output by 70 per cent and agricultural output by 42 per cent; the increase in personal consumption was projected

(108) Ibid., p. 114

at about 35 per cent. The underdeveloped regions were offered a system of Federal Government guarantees of credits for economic investments.(109)

Despite its ambitiousness, the plan's global and almost all sectoral targets were fulfilled in four years. Social product in the years 1957-60 rose by 62 per cent, or 12,7 per cent per annum at a compound rate, compared to a planned rise of 9,5 per cent per annum. Private consumption of goods and services rose by 49 per cent, or 10,5 per cent per annum, compared with the plan's anticipated 7,3 per cent per annum. Imports grew by 67 per cent, but exports also did better than foreseen, growing by 65 per cent in value.(110) The great expansion of industrial production proved too small to counteract this development. The gap between republics had also continued to widen, with all political consequences coming more sharply into focus.

Towards the mid-1960s the regime undertook considerable changes in the strategy of development. First, there was a shift in investment among sectors of the economy. Agriculture and social services obtained greater shares of investment, while industry and transportation obtained considerably less than before. Second, within the industrial sector there was a pronounced shift to consumer goods and light industries. Third, the policy of aid to underdeveloped republics was changed to a policy of aiding eastern republics. Fourth, resources from abroad were more

(109) D. Bilandazic, Management of the Yugoslav Economy 1954-66, Belgrade, Socialist Thought and Practice, 1967, p. 185

(110) D. Rusinow, op. cit., p. 102

abundant than before and they were supplemented with considerable technical assistance. Fifth, political pressures from the regime were somewhat relaxed and a greater reliance was placed on the market. It should be mentioned, however that the functioning of the market was severely limited by price controls and other direct and indirect instruments that the government had its disposal.(111)

The new distribution of investment did not reverse the trend toward increasing the gap in per capita social product between Croatia and Slovenia, and the rest of the country. However it created severe political problems. Croats and Slovenes complained that they were contributing too much to the development of the eastern part of the country, and others complained that they did not receive enough. At the end of this process, however, the economic transformation that the country achieved was significant. Industrial production was increased by more than four times, and infrastructure, particularly railroads and production of electrical energy, was greatly expanded.

In early 1965, some of the foreign loans became due, and dates for repayment of others came dangerously close. This fact helped to precipitate another set of reforms in the economy. In 1965 and particularly 1966, Yugoslavia, once again started introducing major reforms. These reforms marked a substantial change in legal methods of allocating resources. New measures were introduced to decrease the volume of state interventions and to decentralize

(111) Ibid., p. 171

the economic structure. In March 1965, the Federal Assembly passed a new Law on Banks and Credit Transactions which constituted an essential first step towards the creation of a radically different investment system.

This reform, Rusinow claims, was designed to effect major changes in three all-encompassing sectors: in primary distribution and secondary redistribution of national income and in foreign trade.

The goal was to increase the role of the market in the first sector, by the State and to simplify and rationalise foreign trade and increase its impact on the domestic market. It was also explicitly declared to be a 'social' as well as an economic reform.(112)

The reform was realised in two stages. The principal instrument for reorganising primary distribution was a drastic revision of existing price ratios through highly differentiated increases in all prices. Secondly, to reduce the role of the State in secondary redistribution of national income the tax system was subjected to a general overhaul designed ultimately to reduce the State's share in the net income of the country's enterprises from 49 to 29 per cent.(113)

1965 reforms introduced other important features. In November 1965 annual social plans were accepted as inappropriate and abandoned for the sake of the new system. Another new fund, the Fund for the Development of Underdeveloped Regions, was established. In agriculture private peasants were for the first

(112) Ibid., p. 176

(113) Ibid., p. 177

time granted access to new mechanised equipment and to bank credits on terms of equality with the socialist sector. The first major concession to the private sector since the abandonment of collectivization in 1953, Rusinow claims, these last measures implicitly recognised the failure of the socialist sector to attract the peasant and to utilize his land to an economically significant degree. The Yugoslav leadership also recognised the importance of the fulfilment of the Reform's other goals of more marketable agricultural surpluses and of a richer peasantry, capable of consuming more industrial goods.(114)

Towards the end of 1960s, the Yugoslav economy entered a difficult period of readjustment. The first years were marked by a decline and in 1967 by complete stagnation in growth. The immediate results were growing unemployment and emigration, stagnant real incomes for most people, and a temporarily more stable currency than at any previous period since the war. The social product recovered to 6,6 per cent in 1966, primarily because good weather and the initial effects of higher agricultural prices and associated reforms raised agricultural production by 16,4 per cent. The average yearly growth rate for years 1964-67 was 2,9 per cent compared with 9,7 per cent in 1961-64 and 12,7 per cent in 1957-60.(115)

As mentioned above, the main target of the reform was to alter the structure of national income in two ways, firstly enlarging

(114) Ibid., p. 179

(115) D. Biladzic, op. cit., p. 127

personal incomes at the expense of investment and secondly changing the distribution of control over savings and investment in favour of the socialist enterprises and at the expense of State organs at all levels. Between the years of 1964 and 1967 the share of net personal incomes in national income in the socialist sector grew from 33 per cent to nearly 40 per cent. The role of economic organisations in the distribution of national income grew from control over 45 per cent in 1964 to nearly 58 per cent in 1967.(116)

In the following years, the heritage of the past effected unfavourably the performance of the reforms. First, there was the burden of irrational, 'political', expensive and slow-maturing investment projects. Additionally, the performance of the reforms was prevented by the fact that the Yugoslavs had opened their economy to the competition of the outside world to a greater extent than ever before when their principal trading partners were moving back towards protectionism. Yugoslav counter measures were slow in coming, contrary to the laissez-faire spirit of the reform, and in any case of limited potential effectiveness in view of Yugoslavia's small share in the total foreign trade of these partners.(117)

Towards the mid-1970s, Yugoslavia faced new problems. The accelerated development increased the need to import raw and intermediate materials and consumer goods, which was not

(116) Ibid., pp. 126-128

(117) E. Baklanoff, The Mediterranean and the EEC, Alabama, 1967, p. 129

paralleled by a corresponding volume of exports. No efforts were made by society to gear the economy to taking a bigger and more adequate share in the international division of labour through more competitive exports. A modern industry was built, but it was not sufficiently export oriented and thereby not able to repay foreign credits. This deepened structural disruptions -the gap between increasingly dynamic industrial development and the relative drop in exports as a percentage of the net material product generated by the economy as a whole, and by industry in particular. Imports kept increasing, which resulted in a high trade deficit with these countries. This led to difficulties in the repayment of foreign credits.(118) As a result of this problem foreign trade and external liquidity problems became a limiting factor in stable development. The share of international commerce and world exports of the country decreased considerably below the development needs of the economy.

In an official report the failure of the reforms toward a self-managed economy were described as follows:

The deterioration in terms of trade on the world market, the crises of the international monetary system, high interest rates ... and the increasingly adverse impact of the crises of international economic relations on the developing countries- have also placed our economy in a difficult position in the international division of labour ... Owing to lagging production for export and its insufficient competitiveness with respect to prices, quality and choice of many goods, and to

(118) "Report of the SFRY, Presidium on Socio-Economic Development and Realization of the Policy of Economic Stabilization and on Yugoslavia's Foreign Policy and International Position", Yugoslav Survey, no 1, vol. XXIV, February 1983, p. 5

growing internal difficulties under conditions of runaway inflation, our exports are faced with increasing difficulties.(119)

In 1979 it was seen a culmination in the growth of production, and balance-of-payments deficit was gradually reduced as a result of anti-inflationary policies. Despite an increase in exports as a percentage of the net material product, this has not been sufficient to make a decisive turn-about in development, especially because of increasing amounts of foreign debts falling due, coupled with a steady deterioration in conditions on the world capital market. This inevitably led to economic disruption and a slowdown in overall growth. The official reports identified fundamental failures as follows:

We have been slow in adjusting ourselves not only to changes in international economic relations, but also to the requirements of grown productive forces and the developed self-managing relations of production. Instead of steering the economy towards more efficacious inclusion in the international division of labour and the creation of conditions for strengthening the material base of self-management ... Non-existence of an overall strategy of technical and technological development and of self reliance, i.e. reliance on our own scientific research and creativity, have resulted in an insufficiently controlled and too one-sided reliance on foreign licences, and frequently also in dependence on foreign partners. In some instances we have allowed transnational companies to interfere in a way which is contrary to the interests and character of our socio-economic system.(120)

A new set of regulations was introduced in 1980 because of Yugoslavia's declining international competitiveness and increasing

(119) Ibid., p. 5

(120) Ibid., p. 6

balance-of-payments deficit. The regime opted for a more pragmatic approach to these questions including a new legal framework for small private enterprises. It was thus intended to increase the efficiency of the system by a series of measures, which will give freer reign for the play of basic market forces. This would completely entail prices to be formed according to market forces, changes in the taxation system, greater encouragement of savings, investment cutbacks and other measures to promote higher productivity and higher exports.(121)

In 1982, the problem of high foreign trade deficit continued and about 3,5 per cent of foreign exchange inflow from visible and invisible trade was used to pay medium and long-term credits and cut short-term debts. This caused additional problems of keeping the economy supplied with indispensable raw materials and consumer goods. As one specialist argued:

It is not easy to see how this can be turned into a 3,5 per cent increase, the Government industrial production target for this year. Yugoslavia already has some 800.000 unemployed. Stagnating or falling real wages, coupled with rising unemployment, is not recipe for social peace even under a system like Yugoslavia's which commands widespread support.(122)

In mid-1983 the Long-Term programme of Economic Stabilization was adopted to serve as the blueprint for Yugoslavia's socio-economic development "on the principle of socialist self-management and the equality of the Yugoslav nations and nationalities"

(121) Antony Robinson, "Yugoslavia to Give Rein to Market Forces", Yugoslav Survey, no. 1, vol. XXIV, February 1983, p. 5

(122) David Bushan, "Economic Strategy Cuts Demand", Financial Times, 1 June 1982, p. 28

In line with the Basic Principles of the Long-Term Programme and the Anti-inflation Programme, we began introducing market criteria into our economic life on an increasing scale. The policy of a real exchange rate of the dinar, timely repayment of foreign debts, measures to introduce realistic rates of amortization and sensible interest rates and determined efforts to cut back excessive consumption and buying beyond available means were all greatly responsible for results achieved in 1983. (123)

As a necessary condition to build a self-managed system, the market was introduced step by step into the life of Yugoslavia. But a quick overlook provides us to see that it is not sufficient to exercise all theoretical claims, both in economic and social sphere. During the 1960s and 1970s Yugoslavia achieved a high economic growth, at least as good as in many other comparable countries. But also implementation of market rules led to some problems as unemployment, inequality, which are so serious for a socialist country. Although employment in the social sector has expanded greatly, it has noty provided sufficient jobs to absorb the growth in the work force and the migration of farm labour. Since the mid-70s unemployment has grown, and now stands at an uncomfortably high level. Despite large transfers of resources from the richer regions, which have helped the poorer regions to maintain a high rate of growth, inter-regional differences have continued, even widened. Social differences and inequalities in Yugoslavia can be described as:

Firstly, Yugoslavia is inserted into a world context of deep social inequalities, which have direct or indirect repercussions upon it. The

(123) "Situation and Problems in Yugoslavia's Domestic and Foreign Policy", Yugoslav Survey, no. 1, vol. XXV, February 1984, p. 5

capitalist world market and the international division of labour provide the conditions which govern uneven historical and regional development and the resulting relations between developed and undeveloped states. Second, Yugoslavia's capitalist past still imposes a heavy heritage, as exemplified by the relation between town and country, or by the division between intellectual and manual labour.(124)

So with the introduction of the market, while benefiting from the positive sides of market economy it is not possible to say that Yugoslav self-management system could cope with the positive effects.

(124) Boris Vuskovic, "Social Inequality in Yugoslavia". New Left Review, no.95, January-February 1976, p. 40

V. CONCLUSION

This thesis is organized into three parts. Firstly it attempts to review the historical process of the Yugoslav self-management system. This is carried out through a review of the legal regulations. For different stages, answers are given to the questions of how the self-management system was built up, which basic problems it faced and how it dealt with them. And then, secondly, by taking up in detail the 1974 Constitution and 1976 Associated Labour Law it is analyzed how is the Yugoslav self-management system organized today. The system works under the influence of different factors; so some of them were pointed out to examine how the system operates. Lastly under the light of its historical development and its legal regulations a brief general analysis of major economic achievements of Yugoslavia is developed. We want to point out three main characteristics of the country on which it is necessary to pose more questions and further study: Multinational characteristics of Yugoslavia, one-party system, and market economy.

Yugoslavia did not provide a suitable background to carry out the experiment of self-management system. It is possible to say that the historical and social characteristics of the country contain contradictions for the development of the system. Yugoslavia is a very unusual country. It was created in 1918 by the amalgamation of Serbia, Slovenia, Croatia, Bosnia and Herzegovina, and Vojvodina. The peoples of these countries or regions had never previously been under one rule. Slovenia and

Croatia were predominantly Catholic and economically more advanced than those of the south and east. The people of Bosnia and Herzegovina were partly Croats and partly Serbs by the criterion of language, but they were divided by religion - Catholics, Orthodox, and Muslims. The majority of the people of Serbia were Serbs, speaking a slightly different language from Croats, and Orthodox in religion. But there were also Macedonians and Albanians in the south of Serbia. Montenegro was a small isolated country populated by Serbs, with a minority of Albanians. Vojvodina was a melting pot of many nationalities, including Serbs, Croats, Hungarians, Germans, and Romans.

The problem of forming a united country out of these disparate elements, who were in addition at widely different levels of economic development, would have been enormous under any regime. It is unnecessary to repeat the story of the growth of guerilla activity in Yugoslavia and its increasing dominance by the communist partisans, led by Tito. It is important to stress that a major reason for communist success was the party's advocacy of 'brotherhood and unity' among the Yugoslav peoples in the common struggle against the occupiers. When the Communists took over in 1945, they recognized that they faced a heavy task in trying to lift the backward regions up towards the level of the more advanced regions. The belief was that within a few years after the revolution the wide regional differences would be eliminated. Experience has shown that this belief was an illusion.

Despite rapid rates of growth in the less developed regions, partly attributable to very substantial economic assistance from

the more advanced regions, relative difference in levels of income per capita have increased. It is maybe most serious but not the only problem because of mentioned multinational characteristics of the country. More or less each introduction of new aspects of self-management system faced and will face at least with different reactions.

In its present form, self-management system in Yugoslavia is the outcome of an evolutionary process that has extended over a period of some 30 years. After the war, a brief period of highly centralised management and planning followed from 1945 to 1949. Centralised planning appeared at the time to provide the best solution for the reconstruction of the country. As a result of the break with the Cominform, Yugoslavia found herself in a position of isolation. That was a decisive turning point: the country had to mobilise its own internal resources and mobilize the energy and initiative of its people. So the self-management system began to be built up. The essence of the idea of self-management in Yugoslavia is the creation of a system of relations in which workers directly manage the means, conditions and results of their labour and thus achieve control over the totality of social relations in the community. Under the logic of the system, the means of production are no longer independent economic forces beyond the control of those who work with them; management is no longer separate from execution; and the disposal of the products of labour is no longer separated from direct participation in their production. The fundamental criterion for the achievement of workers' management is the degree to which

participation of workers in associated labour ensures their direct participation, on a footing of equality, in the management both of work and of all the other affairs of community.

There is always a gap between how the self-management system is perceived and how it operates. On the one hand, reason for this gap particularly derives from the original characteristics of the country as mentioned above; On the other hand, Yugoslavia is a country which is trying simultaneously to ride two horses, which often pull in different directions: self-management, and one party system. Yugoslavia is ruled by a Marxist-Leninist party in complete monopoly of political power, and with absolute dominance in the media, education, the youth movement, the trade unions, the army, and every other organization. The great paradox of Yugoslavia is that such a Party ever agreed to introduce self-management which would deprive the Party of its power. There was an effort to eliminate the role of the Party in the 1950s, when the Party was supposed to relinquish its stranglehold on administration, and to become an organization of philosophers and ideologists. But this has never happened.

In spite of one party system, Yugoslavia still retains some of the crucial characteristics of a self-managed economy. There is no central planning and enterprises operate in a market environment. Despite abundant, and increasing administrative interventions, on such matters as prices, foreign exchange and credit allocations, investment and employment decisions, and the selection of managers, in the final analysis the enterprise has to try to make

a living by producing for the market. The Yugoslav system is essentially a market economy, and the basic motivation of the workers is to use their self-management rights to take decisions which will raise their own income prospects.

The record of Yugoslav economic achievements over the past thirty years is mixed. In some respects it has been a story of great success; but there have also been a number of weaknesses and failures. Yugoslavia enjoyed rapid rates of growth of real national product, labour productivity in industry and agriculture, employment in industry and in social sector generally, and real personal income and consumption per head. The major explanation for the rapid growth of output and productivity was the high investment ratio. The main weakness of the Yugoslav system have growing unemployment, accelerating inflation, and failure to reduce regional income disparities.

As a conclusion, the Yugoslav self-management system does differ in some important ways from both the capitalist system, and the Soviet type socialist system. On the one side there is very little private ownership of productive assets except in agriculture; where the size of farms is severely restricted; on the other hand, there is no complete system of central planning. But Yugoslavia share with capitalism one very important characteristic, namely a market economy; and it shares with the Soviet union another very important characteristic, namely a monopoly Marxist Party. The fundamental Yugoslav problem is how to reconcile these two disparate elements. The solution which has been chosen is 'self-management' which, on the one hand, provides

a rationale for a market system and on the other, gives the Party almost unlimited scope for controlling of the system.

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